

STATE OF NEVADA
NEVADA GAMING CONTROL BOARD
INTERNAL CONTROL PROCEDURES

ENTERTAINMENT

Note 1: For any Nevada Gaming Control Board ("Board") authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by these Internal Control Procedures ("ICP" or "ICPs") as determined by the Tax and License Division will be acceptable, and an ICP variation pursuant to Regulation 6.100 will be unnecessary.

Note ~~1-2~~: Pursuant to ~~Regulation 13, Section 21 (1)~~, NAC 368A.490(1), the person or entity who is the licensee~~d of the licensed~~ to conduct gaming at the licensed gaming establishment where ~~music and dancing privileges or any other live~~ entertainment is provided the licensee is responsible for the payment of the ~~live~~ entertainment tax, even if some other person or entity is ~~affording~~ providing entertainment ~~subject to the tax on the premises of the establishment.~~

Note ~~2-3~~: Pursuant to Regulation 13, Section 21 (2) if a person or entity other than the licensee offers entertainment subject to the live entertainment tax on the licensee's premises, the licensee must keep all records required by NRS 368A, NRS 463 and Regulations 6 and 13. Alternatively, the licensee may require the person or entity that offers the entertainment to keep such records, as long as the records are provided to the Board upon request in a timely manner. Refer to NAC 368A.490(2) for record keeping responsibilities for licensees and operators.

Note 4: When a person or entity other than the licensee offers entertainment subject to the entertainment tax on the licensee's premises, the licensee must comply with each of these Entertainment ICPs. Alternatively, the licensee may require the person or entity offering entertainment to perform the required procedures; however, the responsibility remains with the licensee.

Note 5: A "signature" on a document provides evidence of the person's involvement and/or authorization of the intentions reflected in the document. A signature is either handwritten or electronic.

A "handwritten signature" is typically in the form of a stylized script associated with a person. The stylized script signature may include the first letter of the person's first name along with the person's full last name. The "initials" of the person would not meet the requirements of a "signature," or;

An "electronic signature" is defined in NRS 719.100. The "electronic signature" is to be linked with an electronic document which uniquely identifies the individual (e.g., employee, patron) entering the "signature."

Note 6: Definition and Terminology. For definitions and interpretations of certain statutory terms, refer to the following:

"Admission" – NAC 368A.400(1)

"Admission charge" – NRS 368A.020

"Operator" – NRS 368A.200(5)(c)

"Service charge or any other fee or charge" – NAC 368A.400(8)

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"Ticket broker" – NAC 368A.093

"Ticket service provider" – NAC 368A.095

Admission Charges – Entertainment Sales Controls

Note: ICPs #1 - #9 apply to all admission charges in areas subject to entertainment tax.

1. All ~~entertainment sales~~ admission charges are recorded in such a manner as to be readily identifiable by individual sale charge, in total, and by area for applicable periods of entertainment status. For ~~sales charges~~ recorded in a computerized point-of-sale system, ~~the date/~~ time, and transaction number ~~is~~ are also recorded for each individual ~~sale~~ admission charge.

Note: For computerized point-of-sale systems that classify sales by only the date/time checks are opened and closed, documentation is maintained identifying individual sales made during entertainment status. If a point-of-sale system does not provide the required information, it may be necessary to close all open checks at the start and end of entertainment status. ICP #1 is applicable to all admission charges, including those made through the internet.

2. Each ~~sale~~ individual admission is identifiable by type (i.e., taxable, nontaxable, and complimentary).

Note: If an admission charge is for any required minimum purchase of food, beverage, or merchandise, the method of distinguishing minimum food, beverage, or merchandise sales from other sales not subject to LET is to be distinguished.

3. The internal cash register tape or point-of-sale information is inaccessible to bartenders/cashiers (e.g., keys/passwords are maintained by an individual independent of these functions).
- ~~6.4.~~ All cash register or point-of-sale system overrings or admission ticket voids require ~~the~~ authorization ~~of appropriate personnel designated by management~~ and verification of a supervisor or another individual independent of the transaction.

- ~~4,17-5.~~ All ~~food, beverage and~~ admission complimentarys that are offset against gross sales subject to ~~live~~ entertainment tax ~~and all refunds on such sales~~ require the authorization of appropriate personnel designated by management. ~~Complimentarys can only be deducted from entertainment revenue if an adequate audit trail exists. The specific dollar amount of complimentarys are documented and maintained, and an E~~ estimates may is not be used utilized.

- ~~5-6.~~ ~~The~~ All admission refunds subject to entertainment tax require the authorization of appropriate personnel designated by management. ~~all~~ Refunds authorizations are documented and maintained to support the amount of refunds ~~on sales subject to live entertainment tax.~~

7. The ~~net~~ computation of cash proceeds ~~from the shift are~~ for each bartender/cashier is documented, ~~and~~ verified, ~~as evidenced by signatures,~~ and signed by at least two employees.
8. The bartender's/cashier's banks are reconciled to the ~~entertainment sales~~ documentation used for admission charges, with an investigation being performed, ~~and findings documented,~~ into large cash overages or shortages.

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9. ~~Show admission tickets are safeguarded, and A~~ appropriate procedures are employed in the distribution, use and control of ~~same~~ admission tickets.

Note: ICP #9 is also applicable to any tickets that are sold by the licensee through the internet, including those that are printed by the patron at remote locations.

Package Programs / and Discount ~~Show Admission~~ Tickets

10. If package programs and/or discount ~~show~~ admission tickets are used, the following documentation is maintained:
- a. Copies of the description of package programs ~~books, offered (if not documented in a flier),~~ discount ~~show~~ admission tickets, and related fliers or other related materials which were available to the public and price breakdowns;
 - b. ~~Effective dates of the above items~~ A price breakdown is prepared for all package programs as follows:
 - 1) The actual price paid for the package;
 - 2) A list of components offered in the package;
 - ~~d.~~ 3) Either a prorated price breakdown, as specified in NAC 368A.450(5), which allocates the package price to the various components of the package (a reasonable monthly estimate/average of the retail values of all components will be acceptable), or a statement that for all entertainment components of a package, the admission charges are equal to the full retail value of such components;
 - 4) The actual amount (per entertainment component and for the entire package) included in admission charges; and
 - ~~b.~~ 5) Effective dates of the ~~above items~~ package programs.
 - c. ~~Number of packages/tickets sold by type~~ A price breakdown is prepared for all discount admission tickets. The breakdown includes the amounts received and retained by the licensee, the actual amount (per ticket) included in admission charges and the effective dates of the discount admission tickets; and
 - ~~e-d. Retail price of each item in the packages (a reasonable monthly estimate/average will be acceptable)~~ Number of package and discount admission tickets sold by type.

Accounting/Audit Standards Procedures

11. Daily, ~~T~~he dates and time periods during which taxable entertainment ~~is was~~ provided are documented, by facility, and reconciled to the periods during which ~~entertainment sales~~ admission charges were recorded ~~reported,~~ pursuant to ICPs #1 - #2.

Note: The ~~above~~ information in ICP #11 may be documented by a department other than accounting/audit.

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12. ~~A~~ Daily, an admission charge summary is created that has a breakdown of gross sales into taxable and nontaxable components for each date, ~~and time period, and facility is prepared that which~~ summarizes the total ~~of sales~~ admission charges by type (using documents as required by ICPs #1 ~~and~~ #2).

Note: Pursuant to NAC 368A.450(6), the actual dollar amount of admission charges and fees excluded from reported entertainment revenue is documented and maintained, and an estimated amount is not utilized.

13. For one day each month, accounting/audit personnel verify the amount of admission charges not reported as entertainment revenue meet the provisions of the allowed exclusions, pursuant to NRS 368A.020(3).

14. For one day each month, accounting/audit personnel review the following:

- a. The service charge or any other fee or charge to verify the correct amount has been included in the amount of the admission charge being reported as revenue; and
- b. The executed contracts, if applicable, to determine if there are any discrepancies between the contract and the amount included in the admission charge being reported as revenue. Investigate and document any discrepancies.

Note: Pursuant to NAC 368A.500(2), the licensee is responsible for obtaining and keeping each contract entered into with an operator or a ticket service provider selling or distributing taxable admissions to a facility where live entertainment is provided.

- ~~13-15.~~ Entertainment contracts, if used, and entertainment schedules are reviewed and reconciled to the periods during which entertainment sales are made.

Note: A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule that is documented and retained.

16. Documentation is prepared identifying entertainment events for which an exemption for nonprofit organizations applied.

17. For admission charges related to each exempted nonprofit organization event, accounting/audit personnel verify the proper reporting of revenue, pursuant to the provisions of NAC 368A.470. The records supporting the number of admission tickets for sale or distribution are maintained as evidence of this verification.

- ~~14,15-18.~~ Records are maintained to support ~~deductions~~ admission charges ~~from entertainment revenue that have~~ associated ~~with~~ credit/debit card fees paid to ~~credit card companies and associated with fees paid to wholesalers~~ the independent financial institution. ~~Only credit/debit card fees that are specifically identifiable with entertainment taxable sales for entertainment at the licensee's establishment and which are~~ The specific dollar amount and, if applicable, the percentage rate of credit/debit card fees actually paid, to or retained by, ~~each applicable~~ the credit/debit card company ~~may be deducted~~ for admission charges is documented and maintained to support a reduction in entertainment revenue.

Note 1: Pursuant to NAC 368A.450(3), estimates are not to be used for credit/debit card fees.

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Note 2: ICP #18 is also applicable to any admission charges transacted by another licensee and where the charge and associated credit/debit card fees are reported by the licensee that offers the entertainment.

- ~~16. For licensees that offer advance sales of admission tickets (i.e., tickets are sold prior to the day of the show), records are maintained that reconcile show admission ticket sales to redeemed tickets, by type of ticket. The documentation includes:~~
- ~~a. A daily admission ticket sales report that includes the date the admission ticket was sold, the name of the show/event for which the admission ticket was sold, an identifying number for each ticket sale transaction and the dollar amount of the sale.~~
 - ~~b. A report by show/event indicating the individual admission tickets sold for that show/event. This report indicates the name of the show/event, date the admission ticket was sold, the identifying number of the admission ticket sale and the dollar amount of the sale.~~
- ~~17. Complimentaries can only be deducted from entertainment revenue if an adequate audit trail exists. Estimates may not be used.~~
- ~~18-19. Food and beverage Admission charge~~ summaries are reviewed to verify the propriety of complimentary charges.
- ~~19-20. All cash register or point-of-sale system over-rings or admission ticket voids are reviewed for propriety~~ er authorization and verification, with findings documented.

Note: The authorization and verification is at least a weekly review of reports by event detailing the overrings and void transactions, which is to be evidenced by name and signature of the reviewer and date of the review.

21. A monthly recap report is prepared which includes the daily and month-to-date entertainment revenue, daily and/or monthly supporting deductions, exclusions and adjustments and taxable entertainment revenue including, but not limited to:
- a. Complimentaries;
 - b. Credit/debit card fees and wholesaler fees; and
 - c. Package programs and discount show tickets.
22. Accounting/audit personnel verify that, for new package programs/discount admission tickets and for changes affecting package programs/discount admission tickets, the package program and discount admission ticket breakdowns are in compliance with ICP #10 and NAC 368A.450(5) and that breakdowns are prepared correctly, including when elements and retail values change.

Note: ICP #22 applies only to licensees that elect to pay entertainment tax on prorated, rather than retail, amounts.

23. Accounting/audit personnel verify that the package program and discount admission ticket entertainment revenue is properly computed and included in reported admission charges on the monthly summary.

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Note: The amount of admission charges from a prorated package program is equal to the number of packages sold times the prorated amount of the entertainment components of the package.

~~20-24.~~ For locations ~~with recording admission charges using a~~ non-computerized ~~entertainment sales~~ systems, all cash register tapes or other equivalent records are reviewed to ensure that ~~sales subject to the LET~~ admission charges were totaled/subtotaled properly.

~~21-25.~~ At least annually for each entertainment area, including leased venues, ~~an employee will~~ accounting/audit personnel select one day and foot individual ~~sales admission charges~~ subject to ~~live~~ entertainment tax on the cash register tape or the computerized system transaction report, and ~~then~~ trace the total to the total on the tape/system. Documentation (e.g., spreadsheet, ~~or~~ calculator tape) evidencing performance of this procedure, and any variances noted, is maintained.

~~Note 1: Board approved software may be used to comply with this standard.~~

~~Note 2: This procedure ICP #25~~ does not apply to ticket sales generated through a ~~wholesale ticket distributor~~ ticket broker.

~~22-26.~~ Recording procedures for ~~entertainment sales~~ admission charges (see ICPs #1 ~~and~~ #2) are monitored for correctness at least monthly by ~~management personnel~~ someone independent of those procedures.

Note: For areas of entertainment that are not always in entertainment status, cash register/point-of-sale system procedures and controls are tested to ensure that all ~~sales charges or fees~~ during entertainment status are properly classified as ~~entertainment sales admission~~ charges (e.g., verifying the parameters established within the point-of-sale system used to identify entertainment hours or inappropriate changes to the parameters).

~~23-27.~~ All entertainment admissions ~~period sales, including complimentaries, are summarized and~~ posted to ~~the~~ accounting records.

Note: ~~Live e~~Entertainment ~~taxable admissions revenue should~~ must be posted to a different general ledger account than non-~~live entertainment~~ taxable revenue, or in some other way is distinguishable or specifically identifiable.

28. If admission ticket sales are reported on an accrual basis (i.e., advanced admission ticket sales are reported in the month of the show/event rather than the month the sale occurred), the following documentation is maintained and audit procedures are performed.

- a. A daily admission ticket sales report that includes: date the admission ticket was sold, name, and date of the show/event for which the admission ticket was sold, and identifying number for each ticket sale transaction, and dollar amount of the sale;
- b. A report by show/event indicating the individual admission tickets sold for that show/event. This report indicates: name of the show/event, date the admission ticket was sold, identifying number of the admission ticket sales, and dollar amount of the sale; and
- c. Monthly, for one day, accounting/audit personnel will perform procedures to ensure that admission tickets sold for a future show/event were properly included in reported revenue on the day of the show/event, using documents in #28(a) and #28(b).

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29. Monthly, accounting/audit personnel reconcile entertainment revenue from the monthly recap report and the general ledger to the monthly Nevada Gaming Commission ("NGC") tax returns. The reconciliation is documented and maintained. All variances are supported by documentation, reviewed and maintained. Any variances noted are resolved prior to submission of the tax returns.

Note: For restricted licensees filing the NGC-12, on a quarterly basis, the monthly general ledger and recap for the three-month period will be reconciled to the NGC-12.

30. System exception reports are reviewed on a daily basis for propriety of transactions and unusual occurrences. The review should include, but is not limited to, void, and refund authorizations. All noted improper transactions are investigated with the results documented.

Note: An exception report is defined as a report produced by the computerized entertainment system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recoded data, voids, etc.

31. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents, etc.) is maintained evidencing the performance of entertainment audit procedures, the exceptions are distinguishable (e.g., made in red ink) from those made during the preparation of the document.